

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 3204
OFFERED BY MR. SHADEGG

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “State High Risk Pool
3 Funding Extension Act of 2005”.

4 SEC. 2. EXTENSION OF FUNDING FOR ESTABLISHMENT AND
5 OPERATION OF STATE HIGH RISK HEALTH IN-
6 SURANCE POOLS.

7 (a) AUTHORIZATION OF APPROPRIATIONS.—Sub-
8 section (c) of section 2745 of the Public Health Service
9 Act (42 U.S.C. 300gg–45) is amended to read as follows:

10 “(c) AUTHORIZATION OF APPROPRIATIONS.—

11 “(1) SEED GRANTS.—For the purpose of car-
12 rying out subsection (a), there is authorized to be
13 appropriated \$15,000,000 for fiscal year 2005.

14 “(2) OPERATION OF POOLS.—For the purpose
15 of carrying out subsection (b), there is authorized to
16 be appropriated \$50,000,000 for each of the fiscal
17 years 2005 through 2009.



1 “(3) AVAILABILITY; RULE OF CONSTRUC-
2 TION.—Funds appropriated under this subsection
3 for a fiscal year shall remain available for obligation
4 through the end of the following fiscal year. Nothing
5 in this section shall be construed as providing a
6 State with an entitlement to a grant under this sec-
7 tion.”.

8 (b) CHANGE IN REQUIREMENTS FOR QUALIFIED
9 HIGH RISK POOLS.—

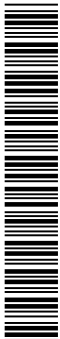
10 (1) CHANGE IN REQUIREMENT FOR OPER-
11 ATIONAL GRANTS.—Subsection (b) of such section is
12 amended—

13 (A) in paragraph (1)(A), by inserting “(or
14 200 percent in the case of a State that meets
15 the requirements of paragraph (3))” after “150
16 percent”;

17 (B) in paragraph (1)(C), by striking “after
18 the end of fiscal year 2004” and inserting
19 “after the end of the last fiscal year for which
20 a grant is provided under this paragraph”; and

21 (C) by adding at the end the following new
22 paragraph:

23 “(3) SPECIAL RULE FOR POOLS CHARGING
24 HIGHER PREMIUMS.—In the case of a qualified high
25 risk pool of a State which charges premiums that ex-



1 ceed 150 percent of the premium for applicable
2 standard risks, the State shall use at least 50 per-
3 cent of the amount of the grant provided to carry
4 out this subsection to reduce premiums for enrollees.
5 ”.

6 (2) CHANGE IN DEFINITION OF QUALIFIED
7 HIGH RISK POOL.—Subsection (d) of such section is
8 amended to read as follows:

9 “(d) DEFINITIONS.—In this section:

10 “(1) QUALIFIED HIGH RISK POOL.—The term
11 ‘qualified high risk pool’ has the meaning given such
12 term in section 2744(c)(2), except that a State may
13 elect to meet the requirement of subparagraph (A)
14 of such section (insofar as it requires the provision
15 of coverage to all eligible individuals) through pro-
16 viding for the enrollment of eligible individuals
17 through an acceptable alternative mechanism (as de-
18 fined for purposes of section 2744) that includes a
19 high risk pool as a component.

20 “(2) STANDARD RISK RATE.—The term ‘stand-
21 ard risk rate’ means a rate that—

22 “(A) is determined under the State high
23 risk pool by considering the premium rates
24 charged by other health insurers offering health



1 insurance coverage to individuals in the insur-
2 ance market served;

3 “(B) is established using reasonable actu-
4 arial techniques; and

5 “(C) reflects anticipated claims experience
6 and expenses for the coverage involved.

7 “(3) STATE.—The term ‘State’ means any of
8 the 50 States and the District of Columbia.”.

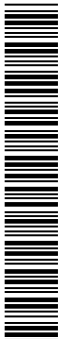
9 (3) EFFECTIVE DATE.—The amendments made
10 by this subsection shall apply to grants for fiscal
11 years beginning with fiscal year 2005.

12 (c) CHANGE IN ALLOTMENT FORMULA FOR OPER-
13 ATIONAL GRANTS.—Subsection (b)(2) of such section is
14 amended—

15 (1) by inserting “(before fiscal year 2005)”
16 after “for a fiscal year”; and

17 (2) by adding at the end the following:

18 “The amount appropriated under subsection (c)(2) for a
19 fiscal year beginning with fiscal year 2005 (less the por-
20 tion of such amount amount made available to carry out
21 subsection (f)) shall be made available to the States (in-
22 cluding entities that operate the high risk pool under ap-
23 plicable State law in a State) that qualify for a grant
24 under subsection (b) as follows:



1 “(A) An amount equal to $\frac{1}{3}$ of such
2 amount shall be allocated in equal amounts
3 among such qualifying States.

4 “(B) An amount equal to $\frac{1}{3}$ of such
5 amount shall be allocated among such States so
6 that the amount provided to a State bears the
7 same ratio to such available amount as the
8 number of uninsured individuals in the State
9 bears to the total number of uninsured individ-
10 uals in all such States (as determined by the
11 Secretary).

12 “(C) An amount equal to $\frac{1}{3}$ of such
13 amount shall be allocated among such States so
14 that the amount provided to a State bears the
15 same ratio to such available amount as the
16 number of individuals enrolled in health care
17 coverage through the qualified high risk pool of
18 the State bears to the total number of individ-
19 uals so enrolled through qualified high risk
20 pools in all such States (as determined by the
21 Secretary).”.

22 (d) ADMINISTRATIVE PROVISIONS; ANNUAL RE-
23 PORT.—Such section is amended by adding at the end the
24 following new subsection:



1 “(e) ADMINISTRATIVE PROVISIONS; ANNUAL RE-
2 PORT.—

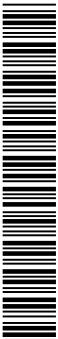
3 “(1) APPLICATIONS.—To be eligible for a grant
4 under this section, a State shall submit to the Sec-
5 retary an application at such time, in such manner,
6 and containing such information as the Secretary
7 may require.

8 “(2) NO ENTITLEMENT.—Nothing in this sec-
9 tion shall be construed as providing a State with an
10 entitlement to a grant under this section.

11 “(3) ANNUAL REPORT.—The Secretary shall
12 submit to Congress an annual report on grants pro-
13 vided under this section. Each such report shall in-
14 clude information on the distribution of such grants
15 among the States and the use of grant funds by
16 States.”.

17 (e) BONUS GRANTS FOR SUPPLEMENTAL CONSUMER
18 BENEFITS.—Such section is further amended—

19 (1) in subsection (c)(2), as added by subsection
20 (a), by adding at the end the following: “Of the
21 amount appropriated under the preceding sentence
22 for fiscal year 2005, up to 10 percent shall be avail-
23 able for the purpose of carrying out subsection (f).”;
24 and



1 (2) by adding at the end the following new sub-
2 section:

3 “(f) BONUS GRANTS FOR SUPPLEMENTAL CON-
4 SUMER BENEFITS.—

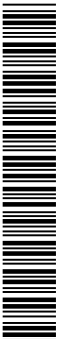
5 “(1) IN GENERAL.—In the case of each State
6 that has established a qualified high risk pool, the
7 Secretary shall provide, from the funds made avail-
8 able under subsection (c)(2) to carry out this sub-
9 section, a grant to be used to provide supplemental
10 consumer benefits to enrollees or potential enrollees
11 (or defined subsets of such enrollees or potential en-
12 rollees) in qualified high risk pools.

13 “(2) BENEFITS.—Funds provided to a State
14 under paragraph (1) may be used only to provide
15 one or more of the following benefits:

16 “(A) Low-income premium subsidies.

17 “(B) A reduction in premium trends, ac-
18 tual premiums, or other cost-sharing require-
19 ments.

20 “(C) An expansion or broadening of the
21 pool of individuals eligible for coverage, such as
22 through eliminating waiting lists, increasing en-
23 rollment caps, or providing flexibility in enroll-
24 ment rules.



1 “(3) LIMITATION.—In no case shall the amount
2 of a grant under this subsection to a State, from the
3 amount made available under subsection (c)(2) for a
4 fiscal year to carry out this subsection, exceed 10
5 percent of the amount so made available.

6 “(4) RULE OF CONSTRUCTION.—Nothing in
7 this subsection shall be construed to prohibit a State
8 that, on the date of enactment of this subsection, is
9 in the process of implementing programs to provide
10 benefits of the type described in paragraph (2), from
11 being eligible for a grant under this subsection.

12 “(5) FUNDING.—

13 “(A) AVAILABILITY.—Funds appropriated
14 under this subsection for a fiscal year shall re-
15 main available for obligation through the end of
16 the following fiscal year.

17 “(B) REALLOTMENT.—If, on June 30 of a
18 fiscal year for which funds are made available
19 under this subsection, the Secretary determines
20 that the full amounts will not be made available
21 for grants under this subsection, such remain-
22 ing amounts shall be made available and allot-
23 ted among qualifying States under subsection
24 (b) for the fiscal year in accordance with the
25 formula under subsection (b)(2).”.

